

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

| | | | |
|---|--|---------------------------|--------------------|
| Unit Name* RESORT TOWNSHIP | County* EMMET | Type* TOWNSHIP | MuniCode* 24-1-130 |
| Opinion Date-Use Calendar* Jul 25, 2008 | Audit Submitted-Use Calendar* Sep 26, 2008 | Fiscal Year End Month* 03 | Fiscal Year* 2008 |

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

| | |
|---------------------------------------|--|
| <input checked="" type="checkbox"/> ? | 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements? |
| <input checked="" type="checkbox"/> ? | 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets? |
| <input checked="" type="checkbox"/> ? | 3. Were the local unit's actual expenditures within the amounts authorized in the budget? |
| <input checked="" type="checkbox"/> ? | 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury? |
| <input checked="" type="checkbox"/> ? | 5. Did the local unit adopt a budget for all required funds? |
| <input checked="" type="checkbox"/> ? | 6. Was a public hearing on the budget held in accordance with State statute? |
| <input checked="" type="checkbox"/> ? | 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division? |
| <input checked="" type="checkbox"/> ? | 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act? |
| <input checked="" type="checkbox"/> ? | 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy? |
| <input checked="" type="checkbox"/> ? | 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.) |
| <input checked="" type="checkbox"/> ? | 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.) |
| <input checked="" type="checkbox"/> ? | 12. Is the local unit free of repeated reported deficiencies from previous years? |
| <input checked="" type="checkbox"/> ? | 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA |
| <input checked="" type="checkbox"/> ? | 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)? |
| <input checked="" type="checkbox"/> ? | 16. Has the board or council approved all disbursements prior to payment as required by charter or statute? |
| <input checked="" type="checkbox"/> ? | 17. To your knowledge, were the bank reconciliations that were reviewed performed timely? |
| <input type="checkbox"/> ? | 18. Are there reported deficiencies? 19. If so, was it attached to the audit report? |

| | |
|-----------------------------|-----------------|
| General Fund Revenue: ? | \$ 1,166,224.00 |
| General Fund Expenditure: ? | \$ 1,094,728.00 |
| Major Fund Deficit Amount: | \$ 0.00 |

| | |
|--|-----------------|
| General Fund Balance: ? | \$ 1,840,266.00 |
| Governmental Activities Long-Term Debt (see instructions): ? | \$ 0.00 |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

| | | | | |
|---|--|--------------------------------------|-------------------|------------------------------|
| CPA (First Name)* HUGH | Last Name* MASON | Ten Digit License Number* 1101008161 | | |
| CPA Street Address* 110 PARK AVENUE | City* CHARLEVOIX | State* MI | Zip Code* 49720 | Telephone* +1 (231) 547-4911 |
| CPA Firm Name* MASON & KAMMERMANN, P.C. | Unit's Street Address* 2232 RESORT PIKE ROAD | Unit's City* PETOSKEY | Unit's Zip* 49770 | |

RESORT TOWNSHIP
EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2008

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Resort Township

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

INDEPENDENT AUDITOR'S REPORT

July 25, 2008

Members of the Township Board
Resort Township
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Resort Township of Petoskey, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Resort Township as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 25 through 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Resort Township's basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mason & Kammermann PC". The signature is written in a cursive, flowing style.

Mason & Kammermann, P.C.
Certified Public Accountants

Resort Township

Management's Discussion & Analysis July 25, 2008

This section of Resort Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2008.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are formatted to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Resort Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Resort Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Resort Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year, using the full accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Resort Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Resort Township uses two categories of funds, which are governmental and fiduciary funds.

Resort Township

Management's Discussion & Analysis

July 25, 2008

Governmental funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Resort Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Public Improvements Fund, which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Resort Township

Management's Discussion & Analysis July 25, 2008

Financial Analysis of the Township as a Whole

The table below summarizes the Township's net assets as of March 31, 2008 and 2007:

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | \$ 2,627,968 | \$ 2,607,782 |
| Capital assets, net acc. depreciation | <u>1,202,204</u> | <u>1,048,524</u> |
| Total assets | 3,830,172 | 3,656,306 |
| Liabilities | | |
| Accounts payable | <u>8,172</u> | <u>38,832</u> |
| Net Assets | | |
| Invested in capital assets | 1,202,204 | 1,048,524 |
| Restricted | 226,380 | 280,097 |
| Unrestricted | <u>2,393,416</u> | <u>2,288,853</u> |
| Total net assets | <u>\$ 3,822,000</u> | <u>\$ 3,617,474</u> |

Net assets for the Township total \$3,822,000. Net assets totaling \$226,380 are restricted for fire protection. The township has \$2,393,416 of unrestricted net assets, which could be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Resort Township

Management's Discussion & Analysis July 25, 2008

The following table shows how activities affected changes in net assets during the fiscal year and the prior year.

Change in Net Assets For The Years Ended March 31, 2008 and 2007

| | Governmental Activities | |
|----------------------------------|----------------------------|-----------|
| | 2008 | 2007 |
| Revenues: | | |
| Program Revenues | | |
| Charges for services | \$ 32,267 | \$ 9,180 |
| Capital grants & contributions | - | 82,500 |
| General Revenues: | | |
| Property taxes | 335,371 | 228,723 |
| Act 425 tax revenue | 675,694 | 684,279 |
| State shared revenues | 184,821 | 177,360 |
| Interest | 81,141 | 71,958 |
| Other | 518 | 115 |
| Total revenues | 1,309,812 | 1,254,115 |
| Expenses: | | |
| Legislative | 70,388 | 92,674 |
| General government | 160,195 | 151,698 |
| Community & economic development | 58,352 | 59,742 |
| Public safety | 117,546 | 94,342 |
| Public works | 609,382 | 684,718 |
| Recreation and cultural | 89,423 | 150,117 |
| Total expenses | 1,105,286 | 1,233,291 |
| Change in net assets | \$ 204,526 | \$ 20,824 |

Revenue sources and changes

Total revenue from all sources totaled \$1,309,812 for governmental activities. This revenue consists mainly of \$675,694 (51.6%) Act 425 tax revenue from their agreement with the City of Petoskey, \$335,371 (25.6%) from property tax collection and \$184,821 (14.1%) from state revenue sharing. The millage rate for general operations was .9437 and .4718 for the fire department.

Resort Township

Management's Discussion & Analysis July 25, 2008

Expenses

Using a full accrual basis of accounting, the Township spent \$1,105,286 on governmental activities. This equates to 55.1% on public works, 14.5% on general government, 10.6% on public safety, 8.1% on culture and recreation, 6.4% on legislative activities and 5.3% on community and economic development.

Financial Analysis of the Township's Funds

At March 31, 2008, the Township's governmental funds reported a combined cash and cash equivalents balance of \$2,601,253, which is approximately \$16,599 more than last year.

Revenues in the General Fund exceeded expenditures by \$71,496, which was primarily due to expected expenditures being less than projected.

The Fire Fund had a \$53,717 decrease in its fund balance this year. This was due to capital outlay expenditures being more than anticipated.

The Capital Improvement Fund increased by \$33,067 due to interest earned on certificates of deposit.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. The Board prior to the close of the year must approve any amendments made to the operating budget on March 31.

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|-------------------------------|---------------------|--------------------|------------------|-----------------------------|
| Total Revenues | \$ 928,137 | \$ 1,078,137 | \$ 1,166,224 | \$ 88,087 |
| Total Expenditures | 1,033,200 | 1,130,200 | 1,094,728 | (35,472) |
| Net Change in Fund Balance | <u>\$ (105,083)</u> | <u>\$ (52,063)</u> | <u>\$ 71,496</u> | <u>\$ 123,559</u> |

Resort Township

Management's Discussion & Analysis July 25, 2008

The Township's budgets are prepared in accordance with Michigan Law. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Capital Assets

At fiscal year ended March 31, 2008, the Township had \$1,202,204 of capital assets, net of accumulated depreciation. During the year, the Township invested \$161,289 in equipment and \$50,098 in building improvements.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and land improvements, building and building improvements, equipment and furniture. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt as of March 31, 2008.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

Requests for Information

This financial report is designed to provide a general overview of Resort Township's finances for all those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Resort Township, 2232 Resort Pike Road, Petoskey, MI 49770.

Resort Township

Statement of Net Assets March 31, 2008

| | Governmental Activities |
|--|----------------------------|
| <u>Assets</u> | |
| Current Assets | |
| Cash and cash equivalents | \$ 2,601,253 |
| Due from other funds | 369 |
| Taxes receivable | 19,699 |
| Inventory - books | <u>6,647</u> |
| Total current assets | 2,627,968 |
| Noncurrent Assets | |
| Capital assets | 1,594,422 |
| Less: accumulated depreciation | <u>(392,218)</u> |
| Total noncurrent assets | <u>1,202,204</u> |
| Total assets | 3,830,172 |
| <u>Liabilities and Net Assets</u> | |
| Current Liabilities | |
| Accounts payable | 8,172 |
| Net Assets | |
| Invested in capital assets | 1,202,204 |
| Restricted | 226,380 |
| Unrestricted | <u>2,393,416</u> |
| Total net assets | <u><u>\$ 3,822,000</u></u> |

The accompanying notes are a part of the financial statements.

Resort Township

Statement of Activities For The Year Ended March 31, 2008

| | | Program Revenues | | | Net Revenue (Expense) and Change in Net Assets |
|---------------------------------------|---------------------|-------------------------|--|--------------------------------------|---|
| | Expenses | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Total |
| Governmental Activities | | | | | |
| Legislative | \$ 70,388 | \$ 21,414 | \$ - | \$ - | \$ (48,974) |
| General government | 160,195 | - | - | - | (160,195) |
| Community and economic development | 58,352 | 10,853 | - | - | (47,499) |
| Public safety | 117,546 | - | - | - | (117,546) |
| Public works | 609,382 | - | - | - | (609,382) |
| Recreation and culture | 89,423 | - | - | - | (89,423) |
| Total government activities | <u>\$ 1,105,286</u> | <u>\$ 32,267</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(1,073,019)</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 335,371 |
| Act 425 tax revenue | | | | | 675,694 |
| State shared revenues | | | | | 184,821 |
| Interest | | | | | 81,141 |
| Other | | | | | 518 |
| Total general revenues | | | | | <u>1,277,545</u> |
| Change in Net Assets | | | | | 204,526 |
| Net Assets - April 1, 2007 | | | | | <u>3,617,474</u> |
| Net Assets - March 31, 2008 | | | | | <u>\$ 3,822,000</u> |

The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Balance Sheet March 31, 2008

| <u>Assets</u> | <u>General</u> | <u>Fire</u> | <u>Capital Improvement</u> | <u>Total</u> |
|--|---------------------|-------------------|--------------------------------|---------------------|
| Cash and cash equivalents | \$ 1,825,363 | \$ 222,740 | \$ 553,150 | \$ 2,601,253 |
| Due from other funds | 369 | - | - | 369 |
| Taxes receivable | 13,140 | 6,559 | - | 19,699 |
| Inventory - books | 6,647 | - | - | 6,647 |
| Total assets | <u>\$ 1,845,519</u> | <u>\$ 229,299</u> | <u>\$ 553,150</u> | <u>\$ 2,627,968</u> |
| <u>Liabilities and Fund Equity</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 5,253 | \$ 2,919 | \$ - | \$ 8,172 |
| Fund equity: | | | | |
| Undesignated and unreserved | 1,840,266 | - | - | 1,840,266 |
| Designated for capital improvements | - | - | 553,150 | 553,150 |
| Restricted for fire protection | - | 226,380 | - | 226,380 |
| Total fund equity | <u>1,840,266</u> | <u>226,380</u> | <u>553,150</u> | <u>2,619,796</u> |
| Total liabilities & fund equity | <u>\$ 1,845,519</u> | <u>\$ 229,299</u> | <u>\$ 553,150</u> | <u>\$ 2,627,968</u> |

The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

| | |
|--|--------------|
| Total Fund Equity - Governmental Funds | \$ 2,619,796 |
|--|--------------|

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet.

| | |
|--------------------------|------------------|
| Cost of capital assets | 1,594,422 |
| Accumulated depreciation | <u>(392,218)</u> |

| | |
|--|----------------------------|
| Total Net Assets - Governmental Activities | <u><u>\$ 3,822,000</u></u> |
|--|----------------------------|

The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2008

| | General | Fire | Capital Improvement | Total |
|---------------------------------------|---------------------------|-------------------------|-------------------------|---------------------------|
| Revenues: | | | | |
| Taxes | \$ 228,197 | \$ 107,174 | \$ - | \$ 335,371 |
| Act 425 tax revenue | 675,694 | - | - | 675,694 |
| State shared revenue | 184,821 | - | - | 184,821 |
| Licenses & permits | 10,853 | - | - | 10,853 |
| Charges for service | 21,414 | - | - | 21,414 |
| Interest | 44,727 | 3,347 | 33,067 | 81,141 |
| Other | 518 | - | - | 518 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 1,166,224 | 110,521 | 33,067 | 1,309,812 |
| Expenditures: | | | | |
| Current: | | | | |
| Legislative | 70,388 | - | - | 70,388 |
| General government | 148,091 | - | - | 148,091 |
| Community & economic development | 58,352 | - | - | 58,352 |
| Public safety | - | 77,925 | - | 77,925 |
| Public works | 609,382 | - | - | 609,382 |
| Recreation and culture | 83,441 | - | - | 83,441 |
| Capital outlay | 125,074 | 86,313 | - | 211,387 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 1,094,728 | 164,238 | - | 1,258,966 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Change in Fund Balances | 71,496 | (53,717) | 33,067 | 50,846 |
| Fund Balances - April 1, 2007 | <hr/> 1,768,770 | <hr/> 280,097 | <hr/> 520,083 | <hr/> 2,568,950 |
| Fund Balances - March 31, 2008 | <hr/> <u>\$ 1,840,266</u> | <hr/> <u>\$ 226,380</u> | <hr/> <u>\$ 553,150</u> | <hr/> <u>\$ 2,619,796</u> |

The accompanying notes are a part of the financial statements.

Resort Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2008

| | | |
|--|----|--------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 50,846 |
|--|----|--------|

Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

| | |
|---|---------|
| However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives | 211,387 |
|---|---------|

| | |
|---|-----------------|
| Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements | <u>(57,707)</u> |
|---|-----------------|

| | | |
|---|----|-----------------------|
| Changes in Net Assets - Governmental Activities | \$ | <u><u>204,526</u></u> |
|---|----|-----------------------|

The accompanying notes are a part of the financial statements.

Resort Township

Fiduciary Fund Statement of Net Assets March 31, 2008

| | |
|---------------------------|---------------|
| Assets | <u>\$ 369</u> |
| Due to Other Funds | <u>\$ 369</u> |

The accompanying notes are a part of the financial statements.

Resort Township

Fiduciary Fund Statement of Changes in Net Assets For The Year Ended March 31, 2008

Additions:

| | |
|---|------------------|
| Property tax collections for primary government | \$ 340,044 |
| Property tax collections for other governments | <u>7,207,502</u> |
| Total additions | <u>7,547,546</u> |

Deductions:

| | |
|--|------------------|
| Property tax distributions to primary government | 340,044 |
| Property tax distributions to other governments | <u>7,207,502</u> |
| Total distributions | <u>7,547,546</u> |

| | |
|----------------------|---|
| Change in Net Assets | - |
|----------------------|---|

| | |
|--------------------------------------|----------|
| Fiduciary Net Assets - April 1, 2007 | <u>-</u> |
|--------------------------------------|----------|

| | |
|---------------------------------------|--------------------|
| Fiduciary Net Assets - March 31, 2008 | <u><u>\$ -</u></u> |
|---------------------------------------|--------------------|

The accompanying notes are a part of the financial statements.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Resort Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Resort Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), public improvements, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Joint Operation

The Resort-Bear Creek Fire Department provides fire protection services to the Township. The Fire Department is a joint venture between Bear Creek Township and Resort Township. Resort Township has a pro rata share of 30 percent of operating expenditures and 50 percent of capital expenditures. The Township does not have oversight responsibility for the Resort-Bear Creek Fire Department. The Fire Department's financial statements are blended as part of Bear Creek's financial statements and may be obtained at Bear Creek Township, 373 N. Division Rd., Petoskey, Michigan 49770

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue for the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Included under this classification are the Capital Improvement and Fire Funds.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash is comprised of the amount of funds in bank accounts. Cash equivalents consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

Inventories

Inventories are stated at cost. Inventory recorded in the General Fund consists of Resort Township history books. Disbursements for inventory-type items are recorded as expenditures in the General Fund at the time of sale.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------|----------|
| Buildings | 40 years |
| Equipment | 5 years |
| Land Improvements | 20 years |
| Building Improvements | 25 years |

Long-term Obligations

As of March 31, 2008, the Township has no outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Resort Township's budgeted and actual expenditures for the funds budgeted have been shown on a functional basis.

During the year, the Township incurred expenditures in the General Fund in excess of the amounts appropriated, as follows:

| Fund/Function | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------|----------------------------|-------------------------|---------------|-----------------|
| General Fund: | | | | |
| General government | \$ 139,000 | \$ 143,000 | \$ 148,091 | \$ 5,091 |

Accumulated Fund Deficits

The Resort Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2008.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash in banks – At March 31, 2008 the carrying amount of the Township's deposits was \$2,048,103.

Investments – At March 31, 2008 the Township's investments consisted of certificates of deposit totaling \$553,150.

Federal Depository Insurance – Of the above balances, \$744,200 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$1,857,053 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in July and December and are payable through February 28. The Township bills and collects its own property taxes, as well as taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to the State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

The tax rates are summarized as follows:

| <u>PURPOSE</u> | <u>RATE/ ASSESSED VALUATION</u> |
|---------------------------------|---------------------------------|
| Operations: | |
| General governmental operations | .9437 per \$1000 |
| Fire protection | .4718 per \$1000 |

NOTE 5 – ACT 425 AGREEMENT

The Township entered into a Public Act 425 agreement with the City of Petoskey in 1994. Under the terms of the agreement the Township conditionally transferred an economic development project to the City. The City will provide all municipal services to the project area, except planning and zoning which will continue to be administered by the Township. In exchange for the transfer, the City will share with the Township, tax revenues levied in the district. For the year ended March 31, 2008 the Township received \$675,694 in shared tax revenues.

NOTE 6 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

| | <u>Balance of April 1, 2007</u> | <u>Additions</u> | <u>Disposal</u> | <u>Balance of March 31, 2008</u> |
|--|-------------------------------------|-------------------|-----------------|--------------------------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 723,335 | \$ - | \$ - | \$ 723,335 |
| Capital assets being depreciated | | | | |
| Buildings | 496,193 | 50,098 | - | 546,291 |
| Equipment and furniture | <u>163,507</u> | <u>161,289</u> | <u>-</u> | <u>324,796</u> |
| Total capital assets being depreciated | 659,700 | 211,387 | - | 871,087 |
| Less: accumulated depreciation | <u>(334,511)</u> | <u>(57,707)</u> | <u>-</u> | <u>(392,218)</u> |
| Total capital assets | <u>\$ 1,048,524</u> | <u>\$ 153,680</u> | <u>\$ -</u> | <u>\$ 1,202,204</u> |

Depreciation expense was charged to the Township's functions as follows:

| | |
|--------------------|------------------|
| General Government | \$ 12,104 |
| Public Safety | 39,621 |
| Recreation | <u>5,982</u> |
| | <u>\$ 57,707</u> |

Resort Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 7 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The Fire Fund has \$226,380 restricted for fire protection.

The Capital Improvements Fund has \$553,150 designated for public improvements and major equipment expenditures.

NOTE 8 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workers' compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|----------------------------|------------------------|---------------------|---------------|--|
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 90,000 | \$ 240,000 | \$ 228,197 | \$ (11,803) |
| Act 425 tax revenue | 675,000 | 675,000 | 675,694 | 694 |
| State shared revenues | 150,750 | 150,750 | 184,821 | 34,071 |
| Charges for services | 87 | 87 | 21,414 | 21,327 |
| Licenses and permits | 10,000 | 10,000 | 10,853 | 853 |
| Interest | - | - | 44,727 | 44,727 |
| Other | 2,300 | 2,300 | 518 | (1,782) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Revenues | 928,137 | 1,078,137 | 1,166,224 | 88,087 |
| Expenditures: | | | | |
| Legislative | | | | |
| Township Board | | | | |
| Salaries | | | 12,947 | |
| Fees and per diem | | | 2,923 | |
| Office supplies | | | 1,861 | |
| Printing and postage | | | 2,048 | |
| Professional services | | | 21,770 | |
| Dues & subscriptions | | | 3,754 | |
| Legal notices | | | 1,688 | |
| Education and training | | | 2,030 | |
| Insurance | | | 14,445 | |
| Other expenses | | | 6,922 | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total legislative | 92,000 | 92,000 | 70,388 | (21,612) |
| General Government | | | | |
| Township Supervisor | | | | |
| Salaries and wages | | | 19,269 | |
| Clerical | | | 416 | |
| Supplies | | | 1,066 | |
| Other expenses | | | 357 | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total township supervisor | 21,000 | 21,000 | 21,108 | 108 |

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---------------------------------|------------------------|---------------------|---------------|--|
| Elections | | | | |
| Wages and fees | | | 2,570 | |
| Fees and per diem | | | 410 | |
| Supplies | | | 275 | |
| Education and training | | | 280 | |
| Other expenses | | | 347 | |
| | | | | |
| Total elections | 3,000 | 4,000 | 3,882 | (118) |
| Township Assessor | | | | |
| Salaries and wages | | | 26,390 | |
| Fees and per diem | | | 511 | |
| Contracted services | | | 455 | |
| Supplies | | | 774 | |
| Other expenses | | | 1,324 | |
| | | | | |
| Total township assessor | 26,500 | 28,500 | 29,454 | 954 |
| Township Clerk | | | | |
| Salary, clerk | | | 22,831 | |
| Wages, deputy clerk | | | 2,686 | |
| Supplies | | | 893 | |
| Other expenses | | | 215 | |
| | | | | |
| Total township clerk | 28,000 | 28,000 | 26,625 | (1,375) |
| Township Board of Review | | | | |
| Fees and per diem | | | 3,429 | |
| Legal notices | | | 680 | |
| Education and training | | | 280 | |
| Other expenses | | | 108 | |
| | | | | |
| Total board of review | 3,500 | 4,500 | 4,497 | (3) |
| Township Treasurer | | | | |
| Salary, treasurer | | | 22,935 | |
| Wages, deputy treasurer | | | 1,796 | |
| Supplies | | | 1,855 | |
| Printing and postage | | | 3,155 | |
| Professional services | | | 455 | |
| Other expenses | | | 697 | |
| | | | | |
| Total township treasurer | 31,000 | 31,000 | 30,893 | (107) |

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|------------------------|---------------------|---------------|--|
| Building and Grounds | | | | |
| Wages | | | 2,371 | |
| Supplies | | | 2,931 | |
| Professional services | | | 10,632 | |
| Contracted services | | | 7,185 | |
| Utilities | | | 7,142 | |
| Equipment repair | | | 1,371 | |
| | | | | |
| Total building & grounds | 26,000 | 26,000 | 31,632 | 5,632 |
| Total General Government | 139,000 | 143,000 | 148,091 | 5,091 |
| Community & Economic Development | | | | |
| Planning & Zoning | | | | |
| Salaries and wages | | | 25,669 | |
| Fees and per diem | | | 6,691 | |
| Supplies | | | 703 | |
| Legal notices | | | 614 | |
| Contracted services | | | 4,875 | |
| Professional services | | | 16,820 | |
| Education and training | | | 2,803 | |
| Other expenses | | | 177 | |
| | | | | |
| Total community & economic development | 59,000 | 59,500 | 58,352 | (1,148) |
| Public Works | | | | |
| Fees & per diem | | | 4,333 | |
| Legal notices | | | 567 | |
| Street lighting | | | 2,827 | |
| Road improvements | | | 536,676 | |
| Spring cleanup | | | 19,611 | |
| Recycle program | | | 45,368 | |
| | | | | |
| Total public works | 568,000 | 610,500 | 609,382 | (1,118) |

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--------------------------------------|------------------------|---------------------|---------------------|--|
| Recreation and Culture | | | | |
| Recreation program | | | 18,687 | |
| Library | | | 3,095 | |
| Township parks: | | | | |
| Contracted services | | | 14,500 | |
| Professional services | | | 43,730 | |
| Utilities | | | 1,485 | |
| Other expenses | | | 1,944 | |
| | | | | |
| Total recreation and culture | 75,200 | 85,700 | 83,441 | (2,259) |
| Capital Outlay | 100,000 | 139,500 | 125,074 | (14,426) |
| | | | | |
| Total Expenditures | 1,033,200 | 1,130,200 | 1,094,728 | (35,472) |
| | | | | |
| Net Change in Fund Balance | (105,063) | (52,063) | 71,496 | 123,559 |
| | | | | |
| Fund Balance - April 1, 2007 | 1,768,770 | 1,768,770 | 1,768,770 | - |
| | | | | |
| Fund Balance - March 31, 2008 | <u>\$ 1,663,707</u> | <u>\$ 1,716,707</u> | <u>\$ 1,840,266</u> | <u>\$ 123,559</u> |

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Fire Fund For The Year Ended March 31, 2008

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--------------------------------------|--------------------|-----------------|------------|---|
| Revenues: | | | | |
| Property taxes | \$ 80,000 | \$ 80,000 | \$ 107,174 | \$ 27,174 |
| Interest income | - | - | 3,347 | 3,347 |
| Total revenues | 80,000 | 80,000 | 110,521 | 30,521 |
| Expenditures: | | | | |
| Public Safety | | | | |
| Operating expenses | 195,000 | 195,000 | 77,925 | (117,075) |
| Capital Outlay | - | 125,000 | 86,313 | (38,687) |
| Total expenditures | 195,000 | 320,000 | 164,238 | (155,762) |
| Net Change in Fund Balance | (115,000) | (240,000) | (53,717) | 186,283 |
| Fund Balance - April 1, 2007 | 280,097 | 280,097 | 280,097 | - |
| Fund Balance - March 31, 2008 | \$ 165,097 | \$ 40,097 | \$ 226,380 | \$ 186,283 |

Resort Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Public Improvements Fund For The Year Ended March 31, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--------------------------------------|----------------------------|--------------------------|--------------------------|--|
| Revenues: | | | | |
| Interest income | \$ - | \$ - | \$ 33,067 | \$ 33,067 |
| Fund Balance - April 1, 2007 | <u>520,083</u> | <u>520,083</u> | <u>520,083</u> | <u>-</u> |
| Fund Balance - March 31, 2008 | <u><u>\$ 520,083</u></u> | <u><u>\$ 520,083</u></u> | <u><u>\$ 553,150</u></u> | <u><u>\$ 33,067</u></u> |

Resort Township

Statement of Tax Levy and Collections March 31, 2008

| | <u>Millage Rate</u> | <u>Adjusted Levy</u> | <u>Collected</u> | <u>Returned Delinquent</u> |
|---|-------------------------|--------------------------|---------------------|--------------------------------|
| Emmet County: | | | | |
| Operational | 1.1258 | \$ 1,232,896 | \$ 1,192,138 | \$ 40,758 |
| Senior Citizens | 0.4990 | 126,840 | 119,872 | 6,968 |
| Medical Care Facility | 0.4792 | 121,806 | 115,114 | 6,692 |
| EMS | 0.1476 | 37,512 | 35,451 | 2,061 |
| Petoskey Public Schools | 21.0193 | 3,221,357 | 3,028,000 | 193,357 |
| Char-Emmet Intermediate School District | 2.5453 | 696,391 | 658,132 | 38,259 |
| North Central Michigan College | 2.3770 | 604,221 | 571,026 | 33,195 |
| Greenwood Cemetery | 0.4700 | 119,468 | 112,905 | 6,563 |
| SET | 6.0000 | 1,525,237 | 1,474,815 | 50,422 |
| Township: | | | | |
| General | 1.9690 | 239,934 | 226,756 | 13,178 |
| Fire Fund | 0.4922 | 119,926 | 113,338 | 6,588 |
| Total | <u>37.1244</u> | <u>\$ 8,045,588</u> | <u>\$ 7,647,547</u> | <u>\$ 398,041</u> |
| Percent of Levy Collected | <u>95.05%</u> | | | |

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

July 25, 2008

To the Township Board
Resort Township
Petoskey, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Resort Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Resort Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Mason & Kammermann, P.C.
Certified Public Accountants

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

July 25, 2008

To the Board of Trustees
Resort Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Resort Township for the year ended March 31, 2008, and have issued our report thereon July 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Resort Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Communication with Management

We have requested certain representations from management that are included in the management representation letter dated July 25, 2008.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Resort Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Mason & Kammermann PC". The signature is written in a cursive, flowing style.

Mason & Kammermann, P.C.
Certified Public Accountants